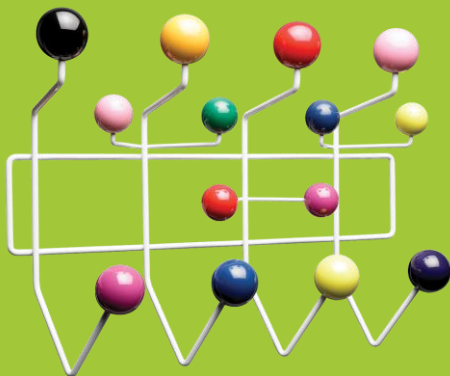


Indicators of collectively-agreed pay increases in the Eurozone

A quality report – Roadmap to harmonisation

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Output of CAWIE-project

- **Collectively agreed wages in Europe**
 - Improving existing data and indicators
 - To support social dialogue and economic governance in the EU
- **Co-Funding 80% Grant Budget heading 04.030301 EC DG Employment and Social Affairs**

Project consortium: TURI

Project team

Co-ordinators

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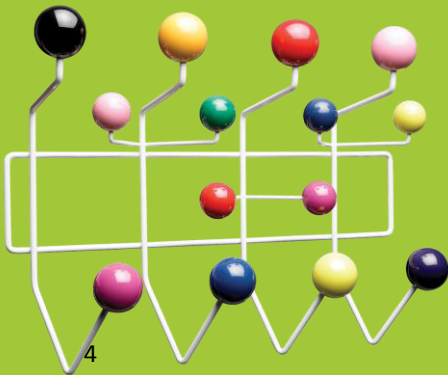
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Quality report

Part I



Introduction

- Importance of collective bargaining in wage-setting systems
 - Distinct feature European social model
 - Coverage above 60% and higher in Eurozone
- No official European-wide database or statistics on collectively agreed wages
 - Experimental Index of negotiated wages ECB
 - Pay developments EuroFound

Overview

- **Designs and methods**
 - Basic definition
 - Origins and uses
 - Method of calculation
 - Choice of index numbers
 - Coverage
 - Sampling and weighting
 - Periodicity and revisions
- **Comparative quality assessment**
 - Relevance, coherence and comparability
 - Changing needs
 - Coherence and comparability
 - Completeness
 - Accuracy
 - Organisational quality
 - Timeliness and punctuality
 - Accessibility and clarity
- **Roadmap for harmonisation**

National indexes of collectively-agreed pay increases, Eurozone

	Publisher	Name
BE	Federal Ministry of Employment, Labour and Social dialogue	Index of the collectively agreed wages (Indexcijfer van de conventionele lonen / indice des salaires conventionnels)
DE	Federal Statistical Office (Destatis)	Index of agreed earnings (Index der Tarifverdienste)
ES	Ministry of Employment and Social Security (MEYSS)	Statistics on collectively-agreed wages (Estadística de Convenios Colectivos de Trabajo, ECCT)
FR	Ministry of Labour, Employment and Health (DARES-DGT)	Average annual change of collectively agreed wages (Evolutions annuelles du salaire conventionnel)
IT	Italian statistical office ISTAT	Index numbers of the collectively agreed wages (Indici delle retribuzioni contrattuali)
NL	Statistics Netherlands (CSB)	Collective Labour Agreements Wages Indexes (CAO-lonen indexcijfers)
AT	Statistics Austria	Index of collectively agreed minimum wages (Tariflohnindex)
PT	Ministry of Labour (DGERT)	Annualised weighted average variation between wage tables (Variação salarial nominal média ponderada intetabelas anualizada, VMPI)
FI	Statistics Finland	Index of negotiated wages and salaries

DESIGN & METHODS

Basic definitions

- a measure of the proportionate, or percentage, changes in a set of prices over time – the price of labor.
- limited to changes in the compensation of workers, which are agreed in a collective way, i.e. by a collective agreement (ILO = voluntary agreement).
- the average nominal (basic) pay increase as set by collective agreements for full-time workers.

National statistical indicators

- Two approaches
 - Monitoring of average increases in collective agreements
 - FR, PT, ES (UK)
 - Monitoring of collectively agreed increases of average workers
 - BE, DE, IT, AT, NL – FI
 - FI: % of index of wages of salaries = negotiated

Calculation: two basic approaches

- Price index – Laspeyres index
 - Comparison of the aggregate values of collectively-agreed wages in two time periods.
 - These values include a price and quantity element. A change in wage costs can be attributed to an increase of the wage (price element), but also to a change in how many workers get this wage (quantity element).
 - Measures the price component
 - just like the consumer price index measures the price component of the change in households' consumption expenditures.
 - Holding the quantities constant. This given set of quantities can be described as the 'basket' of collectively-agreed wages that is compared.
 - BE, DE, IT, NL, AT, FI
 - Main approach

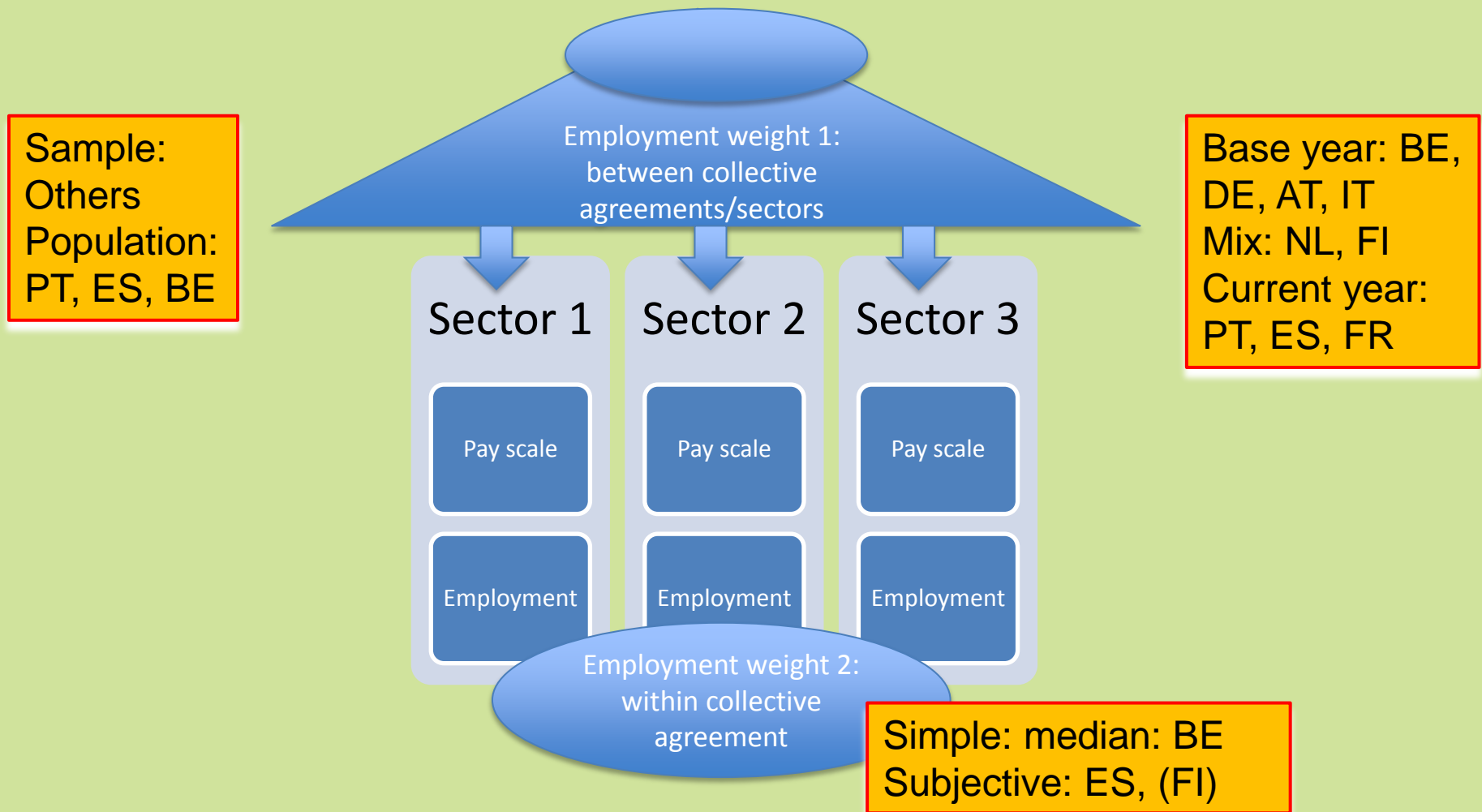
Calculation: two basic approaches

- Alternative approach
 - Collective agreements in a month; quarter or year
 - Average negotiated pay increase
 - PT, ES, (FR)
 - Simple

Two basic methodological issues

- **COVERAGE**
 - What set of agreed pay increases or collective prices of labour are covered by the index?
- **WEIGHTING**
 - What is the way in which the price movements are averaged?

Weighting procedure – calculation average



Relevance, coherence, comparability

Accuracy

Organisational quality

QUALITY ASSESSMENT

Coherence

- Two approaches
 - Monitoring of average increases in collective agreements
 - FR, PT, ES (UK)
 - New agreements are better covered
 - Monitoring of collectively agreed increases of average workers
 - BE, DE, IT, AT, NL – FI
 - Zero agreements are better covered

When in a country most of the collective agreements foresee no wage increase (probably because no agreement will be signed) and only one, which covers 5% of the employment, foresees an increase of 5%, the Portuguese and Spanish indexes would end up with a 5% increase (averaged to a yearly figure). The Laspeyres indexes would only indicate a 0.25% increase. Of course this is a theoretical case, but it shows how sensitive the Portuguese and Spanish indicators are for 'zero' or 'no' agreements.

Relevance

- *Relevance is the degree to which statistics meet current and potential user needs. It depends on whether all statistics that are needed are produced and the extent to which concepts used reflect user needs*
- **Completeness**
 - Missing: Lower-level collective agreements
 - IT, BE, ... AT, FI, FR
 - Missing: Sectoral ‘gaps’
 - BE, FR, PT

Accuracy

- The degree of closeness of estimates to the true values
- No strong reported problems of accuracy reported
 - Within the limitations of coverage
- Biggest issues
 - ‘Subjective’ answers of base data: ES, FI
 - Integrating exceptions: Lump-sum, opting-out, new wage tables

Pending questions on index number formula

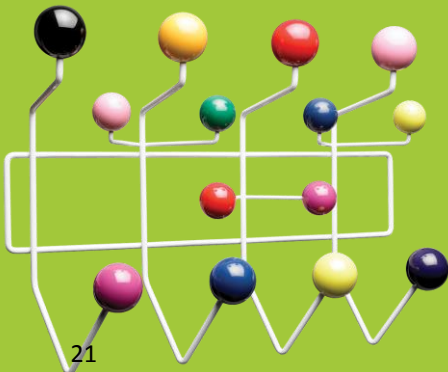
- Laspeyres index
 - Arithmetic weighted averages of price ratios; fixed-weights base year
 - Cfr. Discussion CPI
 - Substitution effect: people swop products with increasing prices for products with lower prices – cyclical => Laspeyres index overstating
 - Fisher index: using weights of base year and current year
 - Geometric mean
 - New product bias: in basket when prices already rising
 - Composition effect along the business cycle:
 - Anti-cyclical low-wage employment
 - Trend from (higher-paid) industry to (lower-paid) services
 - Laspeyres index overstating?
 - Possible solution: Annual chaining – Indicator on the composition effect
 - Base year – Control for point in the business cycle

To conclude

- 9 of 17 Eurozone countries; 90% of GDP (Ireland, Greece)
- Accuracy high when basic information on employment x wage tables of collective agreement
 - Pending questions on technical details
- Challenge: coherence & completeness
 - Sectors, wage definition
 - Price index optimatisation and EU-wide use

Roadmap for harmonisation

Part II

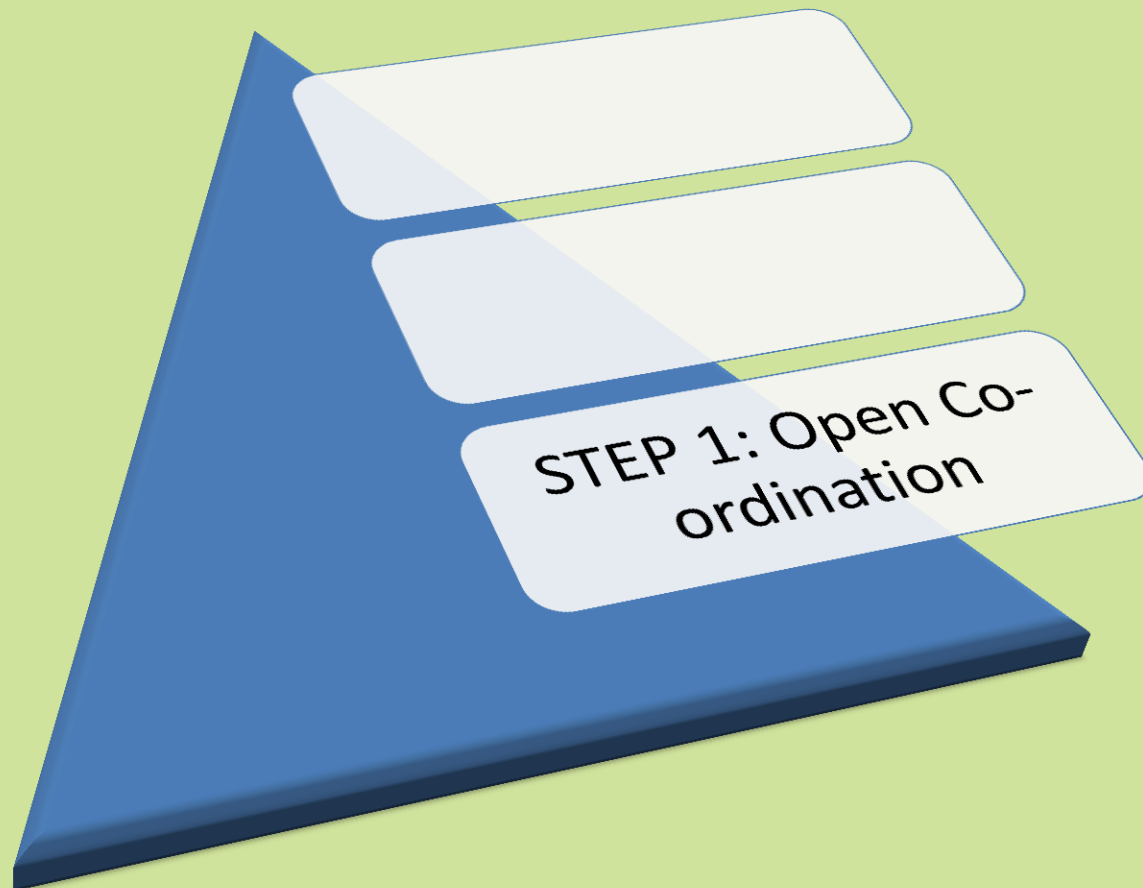


Rationale for harmonisation

- Horizontal coordination:
Social dialogue: globalisation – comparison beyond the national borders – German wage leadership in Eurozone – Growing attempts for coordination
- Vertical coordination - Macro-economics
 - Timely forecasting – monetary policy
 - Instrument of European governance
- Evidence-based: better science

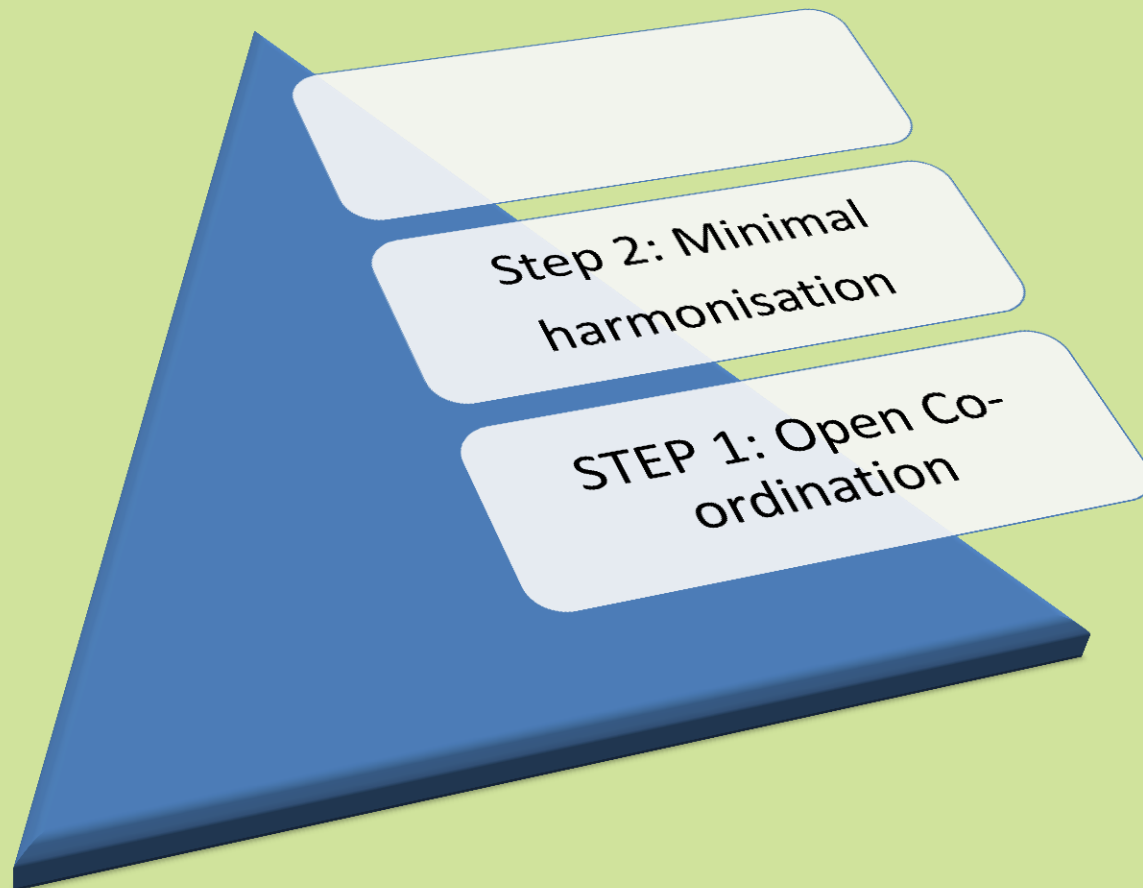
Step-by-step building quality

- Level 1: Open coordination – Community-of-practice
- Level 2: Minimal harmonisation – Organisation-of practice
- Level 3: Full harmonisation – Regulation-of-practice
- Cumulative learning process
- Experimentation
- Informed debate with users
- Institutional/organisational leadership? Union fait la force
 - ECB; EESC; EMCO; Eurofound; Eurostat; ILO



SHARING

- Quality procedures statistical offices
 - Transparency: weights (cf. CPI)
- Mutual references
- Exchange solutions for accuracy problems
 - Company agreements: threshold
 - Revisions: preliminary with coverage warning
 - Opting-out
 - Decreases
 - Working time changes
 - Base wage / premium: more than one-index; other periodisation

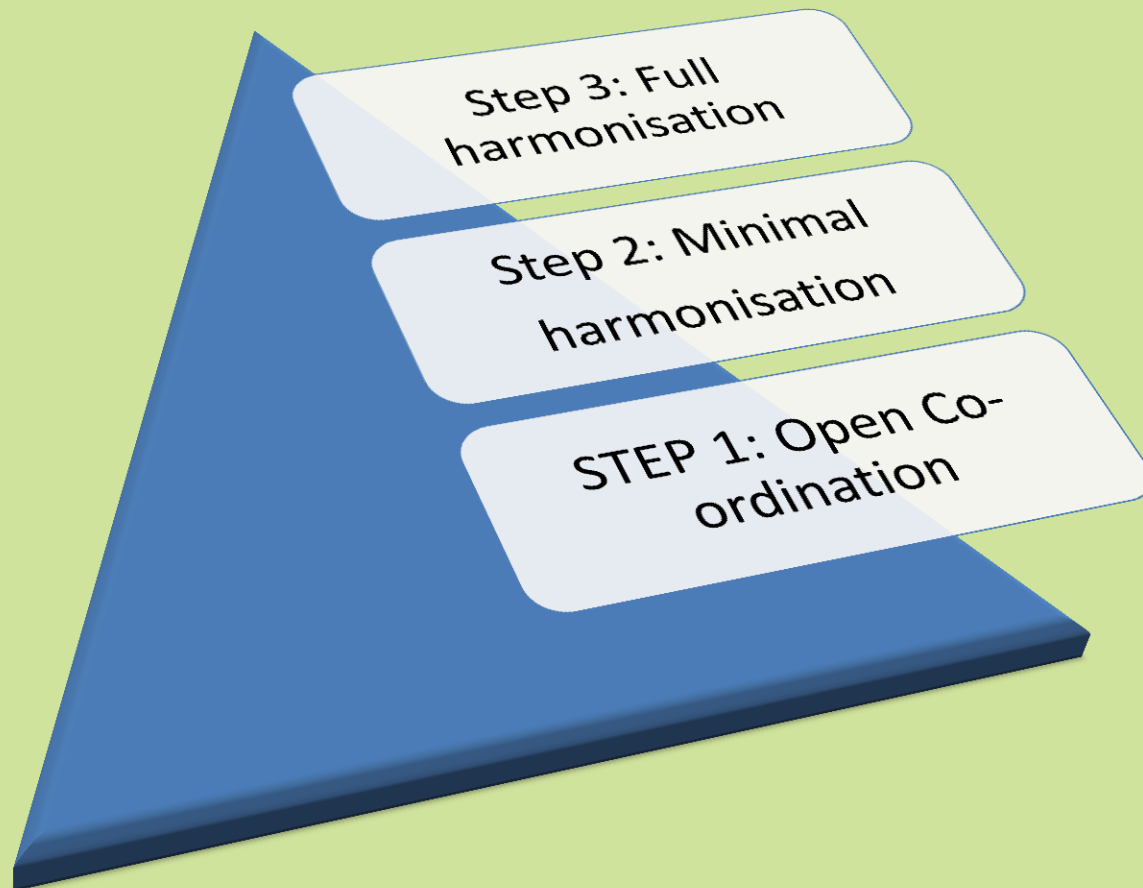


Minimal – weak harmonisation

- Less is more – pragmatic rule
- Besides national practices/needs (Cf. HCPI)
- Co-operation statistical office – Ministry of Labour
- Quarterly – annual data
- Average nominal basic pay increase as set by collective agreements for full-time workers
- Sector-level
- Private sector (Nace-letters)
- Laspeyres Index; comparison with a base year

On the road to minimal harmonisation





Strong harmonisation

- From basic wage developments to earnings concept
 - Definitional work to-do
 - Wage rates quaterly (fast available)
 - Earnings annual
 - Regular payments – Special payments
- National/sector and lower-levels
- Public/private sector
- Representative weight sampling
- Laspeyres and other index

Full (?) – Strong harmonisation

- International regulation – ILO Resolution concerning statistics of collective agreements (1926)
- Structure of Earnings survey – Weight data problem solution
 - what part of wage and wage increases determined by collective agreements; info on wage classification for individual
 - German example to follow?
 - Pay levels?
- Expansion to other countries

Want to know more?

INDICATORS OF COLLECTIVELY
AGREED WAGES IN THE EUROZONE: A
quality report

https://lirias.kuleuven.be/bitstream/123456789/397677/1/R1495_CAWIE_Paper1_GVanGyes.pdf